

**STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL MEETING**

California Environmental Protection Agency

1001 "I" Street

Sierra Hearing Room, 2nd Floor

Sacramento, CA 95814

June 23, 2006

PANEL MEMBERS

Barry Broad
Acting Chair

Tyrone Freeman
Member

Bob Giroux
Member

Scott Gordon
Member

Edward Rendon
Member

Janice Roberts
Acting Vice-Chair

Johnathan St. John
Member

Executive Staff

Ada Carrillo
Acting Executive Director

Maureen Reilly
General Counsel

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I. PUBLIC PANEL MEETING CALL TO ORDER

Barry Broad, Acting Chair, called the public Panel meeting to order at 9:40 a.m.

II. ROLL CALL

Members Present

Barry Broad
Scott Gordon
Edward Rendon
Janice Roberts

Members Absent

Bob Giroux
Tyrone Freeman
Johnathan St. John

Executive Staff Present

Ada Carrillo, Acting Executive Director
Maureen Reilly, General Counsel

III. APPROVAL OF AGENDA

Mr. Broad modified the Agenda to move the General Public Comment Agenda item to after the Review and Action on Agreements and Amendments and before the Review and Action on the Fixed Fee Reimbursement Rate.

ACTION: Ms. Roberts moved and Mr. Rendon seconded the Panel approve the Agenda with the modification that the General Public Comment Agenda Item be moved to after the Review and Action on Agreements and Amendments and before the Review and Action on the Fixed Fee Reimbursement Rate.

Motion carried, 4 – 0.

IV. APPROVAL OF MINUTES

ACTION: Mr. Rendon moved and Ms. Roberts seconded the Panel approve the Panel Minutes of May 25, 2006.

Motion carried, 4 – 0.

V. REPORT OF THE CHAIRPERSON/PANEL MEMBERS

Mr. Broad deferred his report until after the Report of the Acting Executive Director.

VI. REPORT OF THE ACTING EXECUTIVE DIRECTOR

Ms. Carrillo referred the Panel to the Fund Status Tab in the Panel Packet. She said at last month's meeting it was reported that the Legislative Budget Subcommittees had approved the full restoration of ETP monies resulting in an increase of \$32.9 million from the amount proposed in the Governor's Budget. Due to the Budget Conference Committee action, an augmentation of \$12.9 million is expected, in lieu of the \$32.9 million. Ms. Carrillo said the remaining \$20 million is proposed for transfer to the Department of Social Services, CalWORKS program. Ms. Carrillo said the Draft Funds Status Report depicts the ETP budget if we receive the Governor's proposed augmentation of \$2.5 million. If this occurs, our budget for the year would be \$40.3 million. She said if the Legislature's proposal is approved by the Governor, ETP would receive an augmentation of the \$12.9 million resulting in \$53.3 million. She said if the Legislative proposal is approved, this will represent more than a 40 percent increase over the current year budget. She added that while ETP will not receive full restoration of monies, it was a huge win for ETP. She said there would be approximately \$43 million available for new contracts, resulting in approximately \$123 million in contract value based on incremental encumbrance.

Ms. Carrillo expressed her gratitude to Mr. Broad for his leadership in working with the Legislature. She thanked him for his role in the budget battle and said it was wonderful to learn from him through the budget process. She also thanked the labor and employer community for their support. She stated that the Legislature and the Administration recognized the value of the ETP program because of the visible support of the employer and labor community.

Ms. Carrillo reported there was one remaining Bill that affects ETP directly. SB1690 Romero proposes to allow the Panel to fund the training of seasonal farm workers with the employment retention period being completed in up to a 12 month period of time. She said it moved from the Assembly Labor and Employment Committee and will now go forward to the Assembly Appropriations Committee.

Request Motion to Delegate in Event of Loss of Quorum

Ms. Carrillo asked for a motion to delegate to the Acting Executive Director the authority to approve projects for which a quorum does not exist in consultation with the Panel Chair or Vice Chair.

ACTION: Ms. Roberts moved and Mr. Rendon seconded the Panel delegate to the Acting Executive Director the authority to approve projects for which a quorum does not exist in consultation with the Panel Chair or Vice Chair.

Motion carried, 4 – 0.

Consent Calendar Projects

Ms. Carrillo asked for a motion to approve Consent Calendar items #2 through #10 which represents contracts with no apparent issues of concern. Tab #1, Arma Design, is withdrawn for this month.

ACTION: Mr. Rendon moved and Ms. Roberts seconded the Panel approve the following proposals:

Care Options, Management Plans & Supportive Services	\$75,600
Citron Clothing, Inc.	\$8,000
Fibertech Polymers, Inc.	\$45,000
Jabil Circuit, Inc.	\$24,700
Kunde Estate Winery & Vineyards	\$49,920
NL&A Collections, Inc. dba Nova Lighting	\$50,000
Office Solutions Business Products & Services, Inc.	\$182,000
Samax Precision, Inc.	\$23,800
Thermionics Metal Processing, Inc.	\$168,480

Motion carried, 4 – 0.

Mr. Broad reported on the budget status. He said it was proposed that ETP would receive full funding, but it was later decided that the backfill to the general fund of \$20 million would go to the Department of Social Services. He said he will continue to support recovering full funding of ETP monies next year.

VII. REPORT OF GENERAL COUNSEL

Maureen Reilly, General Counsel, informed the Panel that there was no new activity to report.

Proposed Agreement

General Dynamics Nassco

Diana Torres, Manager of the San Diego Office, presented a Proposed Agreement for General Dynamics Nassco (NASSCO), in the amount of \$1,193,400. Nassco designs and builds ocean-going ships of all sizes for the United States Navy and commercial markets.

Ms. Torres said it is proposed the final agreement be approved under the authority of the Acting Executive Director with the understanding that her approval would be contingent on the company's submission of (1) a satisfactory curriculum for all trainees and (2) union support letters for the approximately 980 trainees currently represented by the International Brotherhood of Electrical Workers and the Shipyard Workers Union. She said that staff further recommends delegating authority to the Acting Executive Director to revise the final terms of the agreement as needed to distinguish a start date.

Ms. Torres introduced Donald Dame, Vice President of Human Resources and Valerie Houlihan, Manager of Outfit Training.

Mr. Broad asked if there was an incumbent union currently certified and another union wishing to become certified. Ms. Torres said this was correct. Mr. Broad asked if there was currently a de-certification action with the existing union. Mr. Dame said there was a petition filed before the National Relations Labor Board (NRLB) and they ordered an election between the two groups. Mr. Broad asked when the election was to take place. Mr. Dame said the election is scheduled for July 21, 2006. Mr. Broad suggested that NASSCO could wait until the outcome of the election or retrieve a letter from the union that is currently certified. Ms. Torres said NASSCO was concerned with the possible interference with ETP. Mr. Broad said the Panel had the authority to state that the union currently certified could write the letter of support. He added NASSCO could wait until the outcome of the election but this would delay moving forward with the project by approximately 1 to 1 ½ months. Ms. Carrillo said ETP proposed that once the agreement is finalized and union support letters have been received, she would take final action on the project including possible reduction of the contract amount. She said in order to encompass trainees covered by signatories of the union, she would amend the contract to add additional trainees once the NRLB certification was received.

Mr. Broad asked about the high turnover rate. Mr. Dame said the high turnover was due to the high cost of housing in San Diego and employees not understanding the demands of the occupation. He added that NASSCO is working with the local Labor Council to introduce prospective trainees to the work environment before committing to the training programs. He said the attrition rates for these groups are very low at approximately 4 to 5 percent. Mr. Broad asked if NASSCO anticipated a 20 percent or below turnover rate during this contract period. Ms. Houlihan said the company was currently at a 19 percent turnover rate. Mr. Broad asked why the NASSCO project required a waiver. Ms. Torres said it was required for the previous 2005 calendar year. Ms. Roberts said there was no sustainability around the turnover rate and suggested that the waiver remain. Ms. Carrillo said NASSCO has taken steps to pre-screen trainees and reduced their turnover rate from 21 percent to 19 percent. She explained that the waiver is required since ETP must use last year's data and that NASSCO is very close to the 20 percent. Mr. Broad suggested that the waiver be set at 21 percent. Mr. Dame agreed to the 21 percent waiver.

Mr. Rendon moved but the second was delayed due to more Panel questions. Ms. Roberts asked about anticipated completion of the final agreement since this project was a proposed agreement. Mr. Dame expected the union information would be received by

September. Ms. Roberts asked if NASSCO would attend the September Panel meeting once the final agreement was completed. Ms. Carrillo explained that staff is requesting that the Panel delegate authority to the Acting Executive Director to approve the final agreement.

ACTION: Mr. Rendon moved and Ms. Roberts seconded the Panel approve the Proposed Agreement for NASSCO in the amount of \$1,193,400 with the modification that the waiver is changed to 21 percent and the delegation of authority to the Acting Executive Director to approve the final agreement.

Motion carried, 4 – 0.

Single Employer Contractors

Amcor Sunclipse North America

Ms. Torres presented a One-Step Agreement for Amcor Sunclipse North America (Amcor Sunclipse), in the amount of \$820,690. Amcor Sunclipse is a nationwide manufacturing and distribution company that manufactures corrugated products, packing material, janitorial products, shipping supplies, and custom-built corrugated packaging and industrial packaging products.

Ms. Torres introduced Erika Hernandez, Manager of Training & Development.

There were no questions from Panel members.

ACTION: Ms. Roberts moved and Mr. Rendon seconded the Panel approve the One-Step Agreement for Amcor Sunclipse in the amount of \$820,690.

Motion carried, 4 – 0.

Dart Container Corporation of California

Ms. Torres presented a One-Step Agreement for Dart Container Corporation of California (Dart), in the amount of \$395,850. Dart manufactures plastic and polystyrene foam package materials and containers for the restaurant, franchise and grocery industry.

Ms. Torres introduced Rachel Miyata, Human Resources Manager.

There were no questions from Panel members.

ACTION: Ms. Roberts moved and Mr. Rendon seconded the Panel approve the One-Step Agreement for Dart in the amount of \$395,850.

Motion carried, 4 – 0.

Dunn-Edwards Corporation

Dolores Kendrick, Manager of the North Hollywood Office, presented a One-Step Agreement for Dunn-Edwards Corporation (Dunn-Edwards), in the amount of \$428,363. Dunn-Edwards offers professional painters and the consumer market a complete line of architectural paint, painting supplies, and equipment.

Ms. Kendrick introduced Gary Jones, Vice President of Human Resources and Training; Curt Sanker, Training Manager; and Valentin Gonzalez, Job Steward for Teamsters.

Mr. Broad asked about the substantial contribution requirement since this was Dunn-Edward's third agreement. Ms. Kendrick said there was a substantial requirement at the manufacturing facility since the single facility had earnings in excess of \$250,000 and noted that none of the individual retail stores have earnings of the same amount. Ms. Carrillo said the statute sets out that the application of substantial contribution must be by facility.

Ms. Roberts asked how many Dunn-Edwards retail stores were located in California. Mr. Jones said there were 56 retail stores in California. Ms. Roberts asked if only two of the 56 stores were under union contracts. Mr. Jones said this was correct and that only the manufacturing and distribution facilities were under union contracts. He said the retail stores were non-union. Ms. Roberts asked if any of the 491 retail employees had previously been trained. Mr. Jones said there was a portion that has been previously trained but they have not earned \$250,000. Ms. Roberts questioned why the whole contract was not covered under substantial contribution. Mr. Jones said he was unsure of the guidelines for substantial contributions. Mr. Broad asked how a manufacturing facility earns more than \$250,000 and how the profit is configured. He was concerned that if a company has enough separate facilities listed in a project that there may be the possibility that the company is not required to make a substantial contribution. Ms. Carrillo explained the statute sets out applying a substantial contribution for each facility. She said in the past, the Panel has applied the substantial contribution to each facility in the contracts, when the company earned at least \$250,000 at each specific facility. Ms. Carrillo said staff is improving tracking each facility to determine the amount earned at each facility.

Ms. Roberts asked about the training curriculum and the number of hours required for the retail store employee training. Mr. Jones said the focus of training retail employees is to keep up with the changes in required formulations of materials, training retail employees on selling products, educating customers on product changes and company competition. Mr. Jones said the training also included a new point of sales system requiring new skills and handling new computer systems. Mr. Broad supported the manufacturing portion of the project but not the retail portion of the project. He questioned whether training retail employees was supplemental in nature. Mr. Jones said that in prior ETP approved projects, the company has been able to use what they have earned through ETP as seed money to build programs.

Mr. Broad asked if staff was convinced that the number of training hours on the retail portion of the contract was correct. Ms. Kendrick said it was difficult for staff to determine the number of training hours required for a particular subject and said training was monitored to ensure accurate numbers. Ms. Carrillo explained that staff had reduced curriculum topics and hours. Mr. Broad asked if Ms. Kendrick was convinced that the training that remained was supplemental in nature. Ms. Kendrick agreed that the training that remained was supplemental.

Mr. Gordon asked if language regarding training was included in new-hire kits or employee handbooks. Mr. Jones explained that the majority of the new-hires are in a retail organization and that new-hire training covers the basics of the paint industry. Mr. Gordon asked if it outlined the requirements for hours of training. Mr. Jones said training hours were not outlined. Mr. Gordon asked about instructor development programs. Mr. Jones said they have a training staff, regional product trainers, and training store managers. Mr. Gordon asked if training staff was comprised of frontline managers or full-time instructors. Mr. Jones said they were full-time instructors. Mr. Gordon asked if training staff received continued education. Mr. Jones answered in the affirmative.

Ms. Roberts recommended a substantial contribution for the total contract and the reduction of training hours. Mr. Broad shared some of the same concerns as Ms. Roberts and suggested that ETP staff work with Dunn-Edwards to determine whether the training for the retail portion of the contract is supplemental in nature and whether the training hours are correct. Mr. Broad asked how Ms. Carrillo would like to proceed with this project. Ms. Carrillo asked the Panel to move on the manufacturing portion of the project and delay the retail portion of the project until it could be brought back to the Panel after staff review.

ACTION: Mr. Gordon moved and Mr. Rendon seconded the Panel approve the manufacturing portion of the One-Step Agreement for Dunn-Edwards and reduce the amount accordingly, with the modification that the retail portion of the project not be acted upon today and be presented to the Panel at a later date after staff negotiations.

Motion carried, 4 – 0.

The Kroger Co.

Ms. Kendrick announced that company representatives for The Kroger Co. (Kroger), were not in attendance due to a flight delay. Mr. Broad agreed to proceed with the project as there were no apparent issues, even though company representatives were not present.

Ms. Kendrick presented a One-Step Agreement for Kroger in the amount of \$232,375. Kroger is a national grocery retailer and manufacturer of food and other items sold through its multi-bannered supermarkets and convenience stores across the country.

ACTION: Mr. Gordon moved and Ms. Roberts seconded the Panel approve the One-Step Agreement for Kroger in the amount of \$232,375.

Motion carried, 4 – 0.

Logitech, Inc.

Creighton Chan, Manager of the Foster City Office, presented a One-Step Agreement for Logitech, Inc. (Logitech), in the amount of \$1,206,400. Logitech designs, manufactures, and markets control devices (keyboards, mice, trackballs), digital writing solutions, advance universal remote controls; video communications products including web cams, gaming controllers and audio products for music, Internet voice access, mobile phones, and portable music players. Logitech's products are used with gaming consoles, home-entertainment systems, personal computers, iPod/MP3 players, and mobile phones.

Mr. Chan introduced Leigh Gagnon, Senior HR Manager and William Parker, President of National Training Systems Inc.

Mr. Gordon asked if Logitech included language outlining training requirements in employee handbooks. Ms. Gagnon said they offered compliance training only and through continued growth, have identified the need to establish training requirement guidelines. She said employees will be required to complete training each year in identified areas. Mr. Gordon expressed it was vital to identify company training requirements in order for trainees to be informed of training requirements upon being hired and asked if they used external instructors. Ms. Gagnon said they would use external instructors as the training is very technical. Mr. Gordon asked if instructors received continued education. Ms. Gagnon said instructors continued to upgrade their skills to remain current in the market place.

Ms. Roberts noted it was a positive contract with high wages and a low turnover rate. She asked if this was Logitech's first contract. Ms. Gagnon answered in the affirmative. Ms. Roberts noted and agreed with the subcontractor language in the agreement that the subcontractor would provide administrative services in the amount of \$75,000, and would not exceed 13 percent of the payment earned.

ACTION: Mr. Gordon moved and Ms. Roberts seconded the Panel approve the One-Step Agreement for Logitech in the amount of \$1,206,400.

Motion carried, 4 – 0.

Dreyer's Grand Ice Cream, Inc.

Ruby Cohen, Manager of the Sacramento Office, presented a One-Step Agreement for Dreyer's Grand Ice Cream, Inc. (Dreyer's), in the amount of \$304,720. Dreyer's is recognized as an established manufacturer and distributor of ice cream products.

Ms. Cohen introduced John Pritchard, Plant Manager; Dave Spencer, People Systems Manager; and Steve Duscha, Steve Duscha Advisories.

Mr. Broad noted that in a previous contract, a Dreyer's facility was closed in the Bay Area, and there were discussions about the opportunity for employees of the Bay Area plant to move to other facilities. He asked how many of the employees remained with the company

after the plant closure. Mr. Pritchard said he was unsure of the amount but said that he and Dave Spencer remained with the company after the closure of the Union City plant. Mr. Broad asked how many hourly employees remained after the plant closure. Mr. Pritchard was unsure of the exact number but said there were some employees that remained. He said that a second plant in Southern California has also been closed. Mr. Broad asked if they closed those facilities to move the company to the Central Valley. Mr. Pritchard answered in the affirmative. Mr. Broad asked if Dreyer's was unionized. Mr. Spencer said Dreyer's had a contract with Local 853 for delivery drivers, sales agents and merchandisers in the Bay Area but these employees were not part of this training agreement.

ACTION: Mr. Gordon moved and Mr. Rendon seconded the Panel approve the One-Step Agreement for Dreyer's in the amount of \$304,720.

Motion carried, 4 – 0.

Pacific Coast Producers

Ms. Cohen presented an Amendment for Pacific Coast Producers (PCP), in the amount of \$283,608. PCP is a high-volume, private label producer and distributor of canned and pre-packaged food products, with five facilities located in Central and Northern California.

Ms. Cohen introduced Craig Powell, Plant Manager.

Mr. Broad asked about Phase I of the training. Mr. Powell said PCP was very pleased with the first phase of training and has received considerable positive feedback from employees and union representatives.

ACTION: Mr. Gordon moved and Ms. Roberts seconded the Panel approve the Amendment for PCP in the amount of \$283,608.

Motion carried, 4 – 0.

Special Employment Training Contractors

CHA Hollywood Medical Center, L.P. dba Hollywood Presbyterian Medical Center

Ms. Kendrick presented a One-Step Agreement for CHA Hollywood Medical Center, L.P. dba Hollywood Presbyterian Medical Center (HPMC), in the amount of \$867,375. HPMC is an acute care hospital. Its core services include obstetrics, general surgery, a comprehensive cancer program, cardiac catheterization, the Arthritis Institute, mammography, radiology services, an eye clinic, and a spine clinic.

Ms. Kendrick introduced Judith Maass, Vice President of Patient Care Services; John Barbadian, Vice President of Human Resources; Shawn Bolouki, CEO; Lydia Wong, Director of Education; and William Parker, President of National Training Systems Inc.

ACTION: Mr. Rendon moved and Mr. Gordon seconded the Panel approve the One-Step Agreement for HPMC in the amount of \$867,375.

Motion carried, 4 – 0.

Multiple Employer Contractors

Franklin Career College, Inc.

Ms. Torres presented an Amendment for Franklin Career College, Inc. (Franklin), in the amount of \$271,032. Franklin is approved by the Bureau of Private Post Secondary and Vocational Education to provide Office Machine Repairer, Medical/Dental Biller, Clinical Back Office Medical Assistant, and Certified Nurse Assistant training.

Ms. Torres introduced Ali Bayrami, President/CEO and Rose Hernandez, Chief Operating Officer.

Ms. Roberts asked about the high cost-per-trainee and the low wages in the prior contract. Mr. Bayrami said the wages were currently above the minimum for Los Angeles and San Bernardino Counties and the cost-per-trainee for the number of hours of training that is required. He said Franklin had the obligation to the employers to ensure that the trained individuals were skillful enough to enter the workforce and would benefit the employers.

Mr. Broad suggested imposing the requirement that Franklin train Welfare-to-Work (W2W) individuals. Mr. Broad asked if Franklin would voluntarily accept the requirement that 20 percent of funding go toward individuals in a W2W environment. Mr. Bayrami said Franklin would welcome the W2W individuals and that he appreciated the opportunity to show their level of performance in working with W2W individuals.

ACTION: Mr. Rendon moved and Ms. Roberts seconded the Panel approve the Amendment for Franklin in the amount of \$271,032 with the requirement that Franklin train 20 percent of individuals from the W2W population.

Motion carried, 4 – 0.

QPE Technical Institute

Ms. Torres presented a One-Step Agreement for QPE Technical Institute (QPE), in the amount of \$269,962. QPE is a Private Postsecondary education facility that provides manufacturing skills training for Southern California employers.

Ms. Torres introduced Mike Marek, President.

Ms. Roberts asked what QPE signifies. Mr. Marek explained it stands for Quality Plus Enterprises. Mr. Gordon asked if QPE partners with any associations. Mr. Marek said QPE partners with a few organization and manufacturing groups that QPE uses for advisory boards.

ACTION: Ms. Roberts moved and Mr. Rendon seconded the Panel approve the One-Step Agreement for QPE in the amount of \$269,962.

Motion carried, 4 – 0.

Western Growers

Ms. Torres presented a One-Step Agreement for Western Growers in the amount of \$135,044. Western Growers is an agricultural trade association whose members grow, pack, and ship ninety percent of the fresh fruits, nuts, and vegetables grown in California.

Ms. Torres clarified that although this project is under the Multiple Employer Contract section, this proposal is actually to train the workers of Western Growers Association itself.

Ms. Torres pointed out the correction to Page 5 of the Memorandum in the Panel Packet under Tab 24 listed under Commitment to Training. She said the second sentence states it allocated \$136,000 in 2005. The correct date is 2006. She explained that the budget allocated in the previous fiscal year was for \$45,000.

Ms. Torres introduced Karen Timmins, Vice President of Human Resources and Anthony Magno, Human Resources Training Manager.

Mr. Broad asked if Western Growers proposed to train Lawyers and Lobbyists. He also questioned that 28 percent of the trainees were supervisors or managers. He said he would not vote for this project if it included training Legal/Government Affairs Staff. Mr. Broad asked staff how this project qualifies for ETP funding. Ms. Carrillo said it qualifies under two sections. One for the headquarters, as the company has demonstrated out-of-state competition and under a Special Employment and Training (SET) Category for high wage occupations. Mr. Broad asked which category that Lobbyists and Lawyers fall under. Ms. Carrillo pointed out that the curriculum is not teaching any of the occupations on how to do their jobs. She said that Western Growers may be agreeable to removing the Legal/Government Affairs Staff and Public Relations Staff occupations. She said the training was to upgrade their management, computer and business skills. Mr. Broad agreed to vote for the project with the removal of the Legal/Government Affairs Staff and Public Relations Staff occupations removed from the curriculum.

Ms. Roberts asked if there were any frontline workers to be trained. Ms. Timmins said there were frontline workers to be trained and that the company is a MEWA (Multiple Employer Welfare Arrangement) and, therefore, provides the insurance, health insurance product, and other insurance products such as Worker's Compensation. She added that the majority of the workforce reports to their assurance trust which processes claims. Ms. Roberts asked if any of the trainees were involved in packing products. Ms. Timmins said they did not pack products and that Western Growers represents the growers, packers and shippers in their membership.

Mr. Rendon noted there was no information listed in the current proposed agreement regarding previous contracts in the Panel Packet. Ms. Carrillo said it was not included because the contract took place over five years ago. Mr. Rendon asked about the company pension plan offered. Ms. Timmins said the company offered a defined contribution plan.

Mr. Broad reviewed the basic computer skills outlined in the curriculum and questioned the hours required for training. He asked what was being done that is supplemental or different. Ms. Timmins explained that many staff had very limited computer skills. She added that many new systems were being introduced in order to keep up with technological advances.

Mr. Broad asked if Western Growers objected to removing the Legal/Government Affairs Staff and Public Relations Staff Occupations. Ms. Timmins agreed to remove the occupations outlined.

ACTION: Ms. Roberts moved and Mr. Rendon seconded the Panel approve the One-Step Agreement for Western Growers in the amount of \$135,044 with the modification to remove the Legal/Government Affairs Staff and Public Relations Staff Occupations.

Motion carried, 3 – 1 (Mr. Gordon voted no)

El Camino Community College District, Center for Applied Competitive Technologies

Ms. Kendrick presented a Proposed Amendment for El Camino Community College District, Center for Applied Competitive Technologies CACT (El Camino CACT), in the amount of \$437,060. El Camino CACT provides customized, job-specific training for business and workers through its Center for Applied Competitive Technologies.

Ms. Kendrick introduced Cristallea Byun, Director of Training and Development and Deborah Imonti, ETP Training Coordinator.

There were no questions from Panel members.

ACTION: Ms. Roberts moved and Mr. Rendon seconded the Panel approve the Amendment for El Camino CACT in the amount of \$437,060.

Motion carried, 4 – 0.

VIII. GENERAL PUBLIC COMMENT

Steve Duscha, representing Steve Duscha Advisories, said he supports the staff recommendations on fixed fee revisions, the increase in the fees and the cost of living adjustment. He said they were pleased with the staff recommendations. Mr. Duscha suggested that serious consideration be given to what qualifies as a priority contract. He

said the proposals from staff are out of the ETP Strategic Plan and added they may not have given it sufficient attention when it was presented. He said they have also looked at the state's Economic Strategy Panel and their opinion on what should be emphasized and suggested this may need to be considered. Mr. Duscha said the fixed fees are generally for training at a ratio of up to 20 students to one instructor. He said it was difficult to make these numbers and expressed it was more likely that there would be 15 or fewer trainees in a class, which yields less revenue.

Ali Bayrami, President/CEO of Franklin Career College, shared his support of the staff's position on fixed-fee revisions. He explained that many trainees in new-hire contracts have numerous barriers to employment. He suggested increasing the 200 training hour cap to approximately 400-450 and said the increase would help tremendously. Ms. Carrillo said the hour limitation is solely on re-training only and does not apply for new-hires or W2W individuals. She said that while it does not apply, the Panel adopted a cap on the cost-per-trainee for new-hires.

Rocio Leon-Stantis, from California Manufacturing Technology Consulting (CMTC), thanked everyone for partnering with the CMTC. She said they hosted a graduation at BK Lighting in Madera on June 19, 2006. She said they have put the majority of their employees through continuous improvement training and the graduation was an opportunity to highlight their success. She said there were plant tours and the opportunity for management and employees to discuss the success that they have experienced as a result. She stated the company has increased sales by over 30 percent without increasing costs and the opportunity to maintain jobs in Central California. She noted that Kim Smith, Assistant Director of ETP and John St. John, the newest Panel member, were present at the graduation and that Mr. St. John spoke and addressed the audience at the graduation. CMTC invited Legislative members as well as local businesses from the central California area.

IX. REVIEW AND ACTION ON FIXED FEE REIMBURSEMENT RATE

Michael Rice, Planning and Research Manager, presented staff's Fixed Fee Rate Revision proposal. Mr. Rice said the enabling Legislation allows the Panel to periodically review the fixed-fee rates and adjust them to reflect changes in training costs. He said that the standard rates were last adjusted in 1998.

Mr. Rice noted that the fixed-fee rates are not intended to provide full reimbursement for training and administrative costs, and that employer contributions are expected to make up the difference. He explained that the following considerations suggest that increases in the fixed-fee rates may now be warranted: 1) Increase in the cost of living, 2) Cost of training delivery; c) Survey of public and private training agencies; and 4) Priorities for funding – e.g. rate increases could be used to target key industries such as manufacturing and high technology.

Mr. Rice explained that staff has identified three options for the Panel's consideration and briefly explained each:

Option #1: Increase all retraining fixed fee rates, consistent with cost of living increases.

Option #2: Increase all standard retraining, Advanced Technology, and Small Business fixed-fee rates to bring them close to the median rate, while further increasing rates for priority industries identified in the Strategic Plan and Critical Proposals supporting business expansion and retention, and job creation.

Option #3: Make no changes. Keep all fixed-fee rates as they are now.
Mr. Rice explained that staff recommended the Panel adopt Option #2, which results in an estimated 20 percent increase on the cost per ETP trainee.

Mr. Broad asked, given the 20 percent estimate, what would be the impact of the proposed rate increases on the recent \$12.9 million augmentation to the Panel's FY 2006-07 budget. Mr. Rice estimated that of the \$12.9 million, approximately \$2.5 to \$3 million would cover the proposed rate increases. Mr. Broad asked if the remainder of funds for the total budget would be about \$10 million. Ms. Carrillo explained that the 20 percent estimate would actually impact the Panel's full program funds. Mr. Broad asked if the amount includes a calculation for the declining number of hours of training. Mr. Rice said it did not include the estimated reduced number of hours of training in the future. He noted that recent trends show a declining number of training hours per trainee in ETP contracts, and that based on that, the actual impact of Option 2 may be closer to a 10 percent increase in cost per trainee.

Mr. Rice also said the Panel could mitigate the effects of the higher fixed fee rates through lower levels of initial encumbrances, by limiting the initial size of contracts, or by a combination of both factors.

Mr. Broad asked if there was a plan for encumbering funds. Mr. Rice said there was a plan to initially encumber 35 percent, and to limit the size of the contracts coming forward. Mr. Broad said with the proposed raise, staff should concentrate on reducing the basic skills listed in the curriculum and reducing hours where necessary. He stressed the importance of examining curriculums due to increased funds.

Ms. Roberts asked about the additional increase in priority industries and the need for the Panel to clearly understand what qualifies as a priority industry.

Mr. Rice said that staff used NAICS codes to identify industries that are identified as priority industries in the Panel's Strategic Plan.

ACTION: Ms. Roberts moved and Mr. Gordon seconded the recommendation to adopt Option 2, to implement rate increases for all contracts approved by the Panel after July 1, 2006.

Motion carried, 4 – 0.

X. REVIEW AND ACTION ON FUNDING MORATORIUM ITEMS

Mr. Rice referred Panel members to the Funding Moratorium Tab in the Panel Packet. He said that with the anticipated augmentation to ETP's appropriation in FY 2006-07, Panel members may want to consider lifting some, or all, of the current funding moratoriums.

Mr. Rice said there were currently eight moratoriums and briefly described each one.

1) Non-Frontline Workers

Mr. Rice said that this moratorium provides that, while training for non-frontline workers is allowed, efforts will be made to limit the training of supervisors and managers. He said the Panel's Legislation emphasizes training for frontline workers and the regulation restricts managers and supervisors to no more than 40 percent of the trainees in a project. He explained the moratorium lowers the limit to 20 percent, unless justification can be provided for a higher percentage. He said that staff suggests the restriction should be continued since it emphasizes ETP's focus on frontline workers, while still providing flexibility in serving managers and supervisors.

2) First-Time Training Agencies and Workforce Investment Act (WIA) Grant Recipients

Mr. Rice said staff recommends this moratorium be lifted. He said that most of the requests for funding on hold are from first time training agencies (TAs). Mr. Broad asked why the moratorium is imposed on WIA grant recipients since it was a separate issue. Ms. Carrillo said it was placed on those entities because grant recipients are further removed from the employer community. Mr. Rice said there are higher risks in projects run by first time training agencies, because they are not familiar with the program. He explained that, at the same time, the current cap on funding for first-time TAs provides some control. He said that, since there is a large pending demand by first time TAs, it is staff's position that the moratorium be lifted. Mr. Broad asked when the training agency moratorium went into effect. Ms. Carrillo said it went into effect two years ago.

3) Budget-Based Contracts

Mr. Rice said that budget-based contracts typically exceed the fixed-fee rate, and staff's recommendation is to continue the moratorium. He said the Panel's concerns with the higher costs remain.

4) Training for Truck Drivers

Mr. Rice explained this moratorium is based on the fact that most training for drivers in the trucking industry is mandated and should be the responsibility of the trucking companies. It is staff's recommendation to continue the moratorium due to remaining concerns.

Mr. Broad asked if this moratorium was modified approximately a year ago, regarding formal involvement of trucking company employers and/or their unions or joint labor

management committees. Mr. Rice agreed it was modified approximately a year ago. Mr. Broad said the modification allows there to be training of commercial drivers in an environment that limits the potential for misuse.

5) Training for the Adult Entertainment Industry

Mr. Rice said there is a continuing concern about secure employment and high-turnover in connection with casinos and card rooms and concerns about pirating of products and victimization of workers in media services. It is staff's recommendation to continue the moratorium.

Mr. Broad asked if there was a definition outlining what qualifies as an adult entertainment industry. Mr. Rice said it has not been formally defined. Mr. Broad proposed that ETP's General Counsel research the definition of the adult entertainment industry and present the Panel with a memorandum. Mr. Broad said if the Panel approves continuing the moratorium, he would like to have a policy in place. Mr. Rice suggested the moratorium be reworded as it was stated in FY 2005-06 provide the lowest priority of funding be given to training in the adult entertainment industries. Mr. Broad agreed and asked that it be reworded accordingly; and that the General Counsel still proceed in researching the definition of the adult entertainment industry.

6) Research Contracts

Mr. Rice explained that while staff continues to conduct internal studies, no contracts for external research were approved in the current year. Staff recommends removing this moratorium to enable the Panel to conduct new independent program research. Mr. Broad asked if funds were given to research areas we want them to review and asked if there was a budget for it. Ms. Carrillo agreed and said it was included in the fund status within the marketing budget of \$425,000 that is inclusive of marketing and research.

7) Welfare to Work

Mr. Rice said that in July 2001 the Panel placed a moratorium on funding training for CalWORKS recipients and stopped funding Welfare to Work (W2W) projects. He said that, since the Legislature is seeking support for CalWORKS' employment participation rates from all State agencies, staff recommends that the moratorium be lifted and that the Panel: a) Repeal its current W2W regulation; and b) Implement a pilot program within the statutory framework which would make it easier to serve this population. He said after the pilot is completed, staff will propose regulatory standards for the Panel's consideration. He explained staff has developed proposed W2W pilot program guidelines.

Mr. Rice said the parameters of the proposed pilot program would be that the Panel may approve up to \$2 million in FY 2006/07 for approximately five W2W pilot projects. The projects would meet ETP requirements unless otherwise stated. They could serve either unemployed or employed current or former CalWORKS recipients. He explained this is different than the previous program, which limited participation to employed CalWORKS

recipients -- which was difficult to administer. The pilot projects would emphasize training for entry-level positions in construction, healthcare, hospitality services and other targeted industries.

Mr. Rice explained staff proposes the Panel consider waiving the wage requirement by up to 25 percent below the ETP minimum. He said that at least 50 percent of the training hours must be vocational or hard-skills training; and that the training may also include basic skills and literacy skills. He said the basic skills would be more employability skills and literacy skills defined as basic math and reading. The cap on new-hire cost per trainee would continue to be enforced, but for a good cause, could be exceeded on a case-by-case basis.

Mr. Broad expressed concern that the 50 percent allowance for basic or soft skills training could be significant when a project has a large number of training hours. Mr. Broad suggested that soft-skills be defined for the W2W population. Ms. Carrillo said at least 50 percent of the training would be in vocational skills training and the remaining would include literacy skills such as Vocational English as a Second Language (VESL), math, reading, and basic skills training. She said it was staff's intention to keep the basic skill hours to a minimum.

Mr. Broad said he hopes this W2W pilot program will be very successful so that individuals may obtain jobs. He said that many jobs do not require much training, and that there are entry-level occupations that individuals can train for quickly, without an abundance of training hours. He said he hoped to return to the Legislature next year reporting on the W2W population to demonstrate what worked and what did not work.

He said the Legislature is attracted to the ETP program, regarding the W2W program, because there is a job in the end. Mr. Broad asked if we combine funding with other sources in the W2W program. Ms. Carrillo agreed other funding sources could be combined with the W2W program. She said that applicants' proposals must identify other funding sources.

Mr. Broad proposed that, in the next year, there be a requirement that at least 20 percent of trainees in new-hire projects be CalWORKS recipients. Ms. Carrillo agreed this could be done administratively per contract. Mr. Broad asked if the language needed to include the 20 percent figure. Ms. Carrillo agreed it did and said when the Panel approved the funding moratorium they could set the figure as an amendment.

Ms. Roberts said that through her participation on another panel in the San Joaquin Valley, she understands that many organizations are having a difficult time serving workers on welfare in high-employment, low-income areas, due to substance abuse issues. Mr. Broad said he did not believe ETP could direct drug testing programs and said that involving the government to test civilians would subject ETP to a number of issues. Mr. Broad said applicants must be properly screened for potential problems. He said the employers that hire them have the right to conduct pre-employment screening. Ms. Roberts said the W2W pilot program may not be successful due to underlying issues that ETP cannot control.

8) Structured On-Site Training

Mr. Rice explained that Structured On-Site Training (SOST) has been effect since 2002. He said there were issues concerning the reimbursement and administration of SOST, and that staff recommends continuing the moratorium.

Mr. Rice recommended that the Panel take the following actions:

- (1) Lift the funding moratoriums as applied to first-time training agencies and WIA grant recipients, research contracts and W2W projects.
- (2) Implement a W2W Pilot Program, by repealing Title 22, C.C.R. Section 4428, "Welfare to Work Projects", as provided in Attachment 1. Approve the interim guidelines for a W2W Pilot Program, set forth in Attachment 2.

Mr. Broad asked if the replacement could be a guideline or policy rather than a regulation. Ms. Reilly recommended staff develop the expertise during the pilot program period that would then be the basis for going forward with rulemaking.

- (3) Continue the funding moratoriums as applied to training for non-frontline workers, training for truck drivers, budget-based contracts, lowest funding priority for the adult entertainment industry and the moratorium on SOST.
- (4) Direct staff to take the necessary steps to implement each of the above actions.

Mr. Broad proposed a motion to lift the moratorium as applied to first time training agency WIA grant recipients, research contracts and W2W projects, with a requirement that the staff prepare a regulatory package to repeal Title 22, C.C.R. Section 4428, "Welfare to Work Projects" and implement interim guidelines for a W2W pilot program with the additional requirement that on new-hire multiple employer contracts, 20 percent of the trainee population should be W2W.

ACTION: Ms. Roberts moved and Mr. Rendon seconded that the Panel lift the funding moratoriums as applied to first-time training agencies and WIA grant recipients, research contracts and W2W projects and to also implement a W2W Pilot Program by repealing Title 22, C.C. R. Section 4428, "Welfare to Work Projects" and approve the interim guidelines for a W2W Pilot Program with the modification that new-hires Multiple Employer Contracts should serve a 20 percent W2W population.

Motion carried, 4 – 0.

ACTION: Ms. Roberts moved and Mr. Rendon seconded that the Panel continue funding moratoriums as applied to training for non-frontline workers, training for truck drivers, budget-based contracts, the adult entertainment industry and SOST,

with the understanding that General Counsel will develop language to define adult entertainment industries and present the findings to the Panel at a future date.

Motion carried, 4 – 0.

XI. ADJOURNMENT

ACTION: Mr. Rendon moved and Ms. Roberts seconded to adjourn the meeting at 12:33 p.m.

Motion carried, 4 – 0.